

Daily Iowan

Regents seek to shave costs

BY PAUL OSGERBY | AUGUST 07, 2014 5:00 AM

State officials have made their first step to save money through the state Board of Regents' efficiency study.

The regents unanimously passed a motion on Wednesday to begin a new cost-savings measure that could help the state between \$16 million and \$40 million over the next several months. The implementation is set to take place immediately.

"It's using collective purchasing power to lower costs and get the best services," said Regents' President Bruce Rastetter.

The measure is set to take place in three waves, beginning this month.

In the first sourcing wave, which will last about six months, the program will focus on university spending, such as lab and office supplies, temporary labor, and food. The next two waves are set to occur at the beginning and end of 2015.

Previously, the three regent universities operated separately with their contracts; this new program will bring the entities together in purchasing agreements.

These steps are contracted through Deloitte Consulting to seek more efficient costs across the three regent universities.

Deloitte began reviewing the universities earlier this year. In June, the company released a report from the first phase of the study, which incorporated eight categories Deloitte will continue to review.

Rick Ferraro, a Deloitte consultant, said the initiative is to work collaboratively with Iowa universities to be more effective and efficient with spending.

Regent Subhash Sahai expressed his concern with the wide range of projected savings, but Deloitte consultants said that as time moves forward, the estimates will narrow.

More accurate estimates cannot be determined until vendors are identified and contracted into the agreement.

Rastetter said a conservative estimate after three years of implementation hovers in the region of \$22.2 million.

Currently, regent universities are spending somewhere around \$900 million total, meaning that this procurement program could save between 2 and 4 percent. Rastetter said.

In the Deloitte report presented at the meeting, the University of Iowa is estimated to save approximately \$2.5 million in category sourcing with a 10-year cumulative amount of approximately \$135 million in savings through the program.

The report also stated concerns with the responsiveness of potential vendors as well as the critical level of scrutiny in managing changes to the plan and implementing new suppliers.

Consultants from Deloitte said the program will allow easier cross-university analysis for future expense categorization.

Deloitte has a good reputation with transparency, Rastetter said, and he said the firm is receptive to sharing receipts publicly.

Regent Larry McKibbin said he supports Deloitte's practices.

After the motion was approved, the next steps are to align the stakeholders with purchase categories and then search for vendors.

"We feel ripe and ready to move forward with this," Ferraro said.